

Opinion: Big Polluters Pay Just 35 Cents a Tonne—Australia’s Climate Shame

By Roger Cohen (not the NY times journalist!).



Imagine being charged just 35 cents to emit an entire tonne of greenhouse gases into the atmosphere. At this price, the average Australian could offset their carbon footprint of 15 tonnes for a mere \$5.25—the price of a coffee in our capital cities. That’s the reality for Australia’s largest emitters under the Safeguard Mechanism, a policy that’s supposed to hold polluters accountable for their emissions but instead offers a bargain-basement price for environmental damage, allowing them to continue business as usual.

Why a High Carbon Price Matters—A Global Comparison: Australia Falls Behind

A robust carbon price sets an economic hurdle that incentivises change. The World Bank and other experts have repeatedly stated that a carbon price of USD \$50–100/tonne is the threshold needed to spur significant emissions reductions. At 35 cents, Australia’s mechanism is effectively meaningless, and our polluters can continue business as usual with little penalty.

Countries serious about combating climate change are using Emissions Trading Schemes (ETSs) to set caps on pollution. If these caps are aggressive enough, the market will set high carbon prices, enabling emissions reductions and incentivising a transition to renewable energy. In Europe, emissions allowances under the EU ETS trade at around €80 per tonne of CO₂e. In the USA, California’s carbon market prices are USD \$41/tonne, and the Regional Greenhouse Gas Initiative (RGGI) averages USD \$27/tonne.

Australian Carbon Credit Units (ACCUs), currently trading at AUD \$41, should be (at a minimum) what our big polluters are paying. Yet, in 2022/23 under the Safeguard Mechanism, they ended up paying less than \$0.35/tonne for their gross emissions. How did this happen?

The Flawed Safeguard Mechanism

The Safeguard Mechanism, established in 2016 and refined in 2023, is mandatory for all facilities emitting over 100,000 tonnes of CO₂e. It is a baseline system—meaning that instead of paying for all their emissions, facilities only pay for emissions above a baseline (and receive Safeguard Mechanism Credits for emissions below the baseline, which they can sell or use to cover future emissions). The baseline is set using emissions levels from 2015, which decrease by 7% per annum. In the 2022/2023 reporting period, covered facilities emitted 138.7 million tonnes of CO₂e but surrendered only 1.218¹ million ACCUs—

¹ Source: <https://cer.gov.au/markets/reports-and-data/safeguard-facility-reported-emissions-data#publication-notes>

less than 1% of their emissions. Over that same period, ACCUs traded mostly between \$30 and \$35, so using the upper end of the range, the effective price on total emissions was 1% of \$35, which is how we get to 35 cents.

Another significant flaw in the Safeguard Mechanism is the price cap, set at \$75 in 2023 and indexed to rise by CPI plus 2% annually. While this provides polluters with certainty about their future liabilities, it contradicts best practices in climate policy, which typically advocate for a price floor rather than a cap. If ACCU prices exceed this cap (which they inevitably will over time), polluters can buy Safeguard Mechanism Credits from the government at the capped price. This effectively shifts the financial burden onto taxpayers, subsidising big polluters at public expense.

Time to Get Serious

At its core, this isn't just an economic issue—it's a moral one. Allowing major polluters to offload the cost of their environmental destruction onto society while paying pennies for the privilege undermines the urgency of the climate crisis.

If Australia is serious about transitioning to net-zero, it needs a carbon pricing system that reflects the true cost of pollution. That means tightening or removing baselines, creating a proper emissions trading scheme (ETS), and ensuring that emissions reductions happen on the scale required to meet our international commitments. Anything less leaves us complicit in the climate catastrophe we claim to be fighting for, all for a mere 35 cents.

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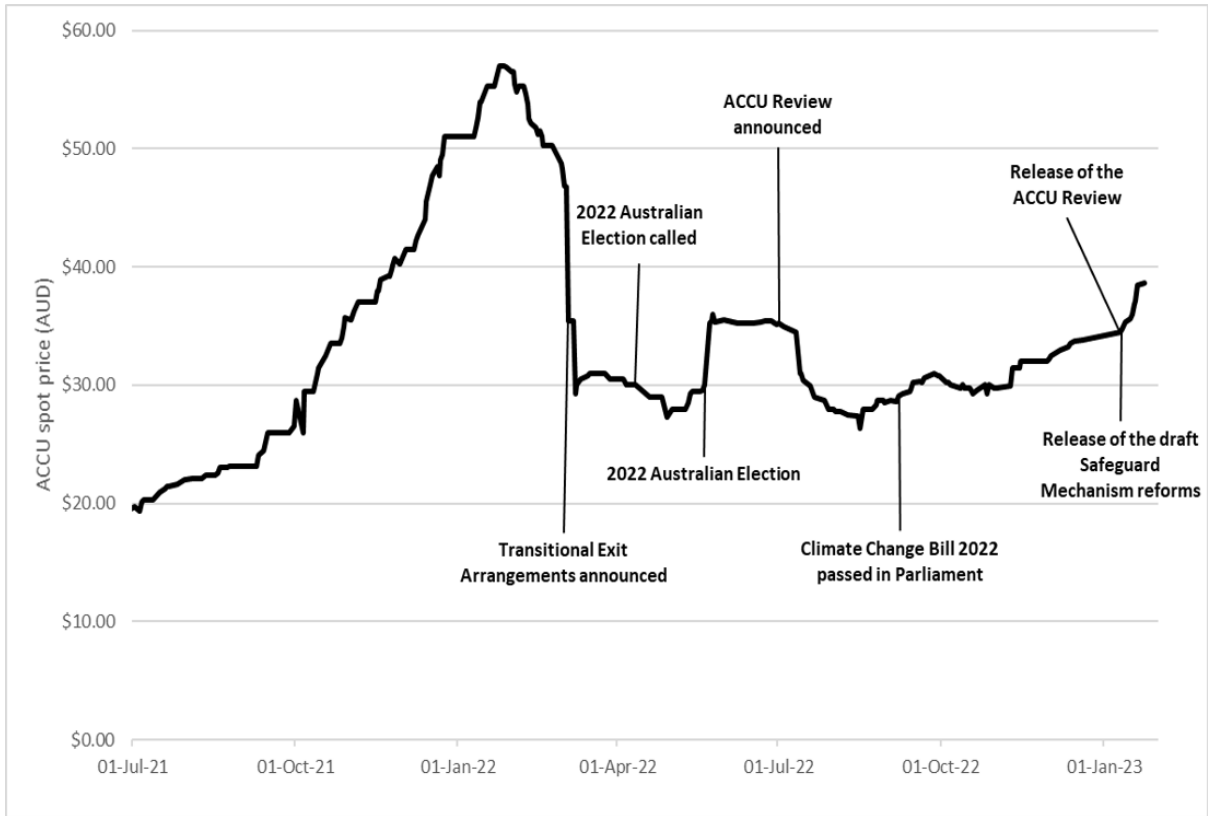


Figure 1 Australian Carbon Credit Unit (ACCU) Prices. Source <https://cer.gov.au/markets/reports-and-data/quarterly-carbon-market-reports/quarterly-carbon-market-report-december-quarter-2022/australian-carbon-credit-units-accus>